26-I-0041
July 22, 2026

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit ratings.

REC Limited (security code: -)

<Affirmation>

Foreign Currency Long-term Issuer Rating:	BBB+
Outlook:	Stable
Local Currency Long-term Issuer Rating:	BBB+
Outlook:	Stable
Bonds:	BBB+

Rationale

(1) REC Limited (REC) is a public financial institution aimed to finance infrastructure centering on the power sector in India. It plays a very important role in the implementation of the Government of India's (GoI) power sector plans. The ratings strongly reflect GoI's Long-term Issuer Ratings (FC: BBB+/Stable and LC: BBB+/Stable) based on among others: (i) its strong capital and personnel relationships with GoI, (ii) its important position as an institution that financially supports the development of power infrastructure across India, and (iii) its strong integration with GoI, supported by its position as a Nodal Agency for power policy initiatives in India. REC plans to merge with its parent company, Power Finance Corporation Limited (PFC), through a share swap arrangement, with PFC becoming the surviving entity. JCR understands that the merged entity will maintain its status as a Government Company under the Companies Act, which requires government ownership of at least 51%.

(2) REC is listed on India's National Stock Exchange and Bombay Stock Exchange, and 52.63% of its shares are owned by PFC. PFC is a listed public financial institution 55.99% owned by GoI. Hence, REC is indirectly under the control of GoI. In February 2026, REC and PFC granted in-principle approval to their merger based on the government's intention, and in June formally approved the merger through a share swap arrangement. While GoI's shareholding in the merged entity would fall below 50% under a simple share swap structure, JCR understands that additional measures will be taken so that the merged entity can maintain its Government Company status. REC has one GoI nominee director and one PFC nominee director, indicating its strong personnel relationships with GoI. GoI has been making it possible to implement its power sector reform programs across the country by utilizing REC, which has developed long-term relationships with power sector entities at the state level. In 2022, REC was granted the Maharatna status, the highest rank in GoI's classification of public companies. The status allows REC to make strategic investments through joint ventures and M&As in India and abroad. Based on the above, JCR considers the relationship between REC and GoI to be tight and practically integrated. JCR expects this state will remain unchanged after the merger.

(3) Demand for investment in India's power sector continues to expand, supported by growing electricity demand driven by economic growth and population increases, as well as GoI's initiatives such as the Revamped Distribution Sector Scheme (RDSS) and the development of renewable energy projects. Looking at REC's consolidated results for FY2025/26, total income increased 5.7% year-on-year to INR596.3 billion. Profits after tax grew 2.7% to INR163.1 billion. Accordingly, REC recorded increases in both income and profit. While its customer concentration is high, with the top 20 borrowers accounting for 58% of outstanding loans, around 85% of the loan portfolio consists of lending to public-sector entities, including state governments and related entities. Nonperforming assets are mainly associated with loans to private power generation projects. As of the end of FY2025/26, the gross NPL ratio declined further to 0.24%, indicating continued improvement in asset quality.

(4) REC's interest rate, foreign exchange and liquidity risks are controlled through its ALM Committee. Its funding base consists mainly of long-term funds, diversified through corporate bonds, foreign currency borrowings, bank loans, etc. Its capital adequacy ratio as of the end of FY2025/26 stood at 23.1%, remaining at a sufficient level. Due to the nature of its business model, REC is dependent on external funding, and it is essential for it to maintain financial soundness and keep funding costs under control. Therefore, not only does REC itself have a strong incentive to maintain financial soundness but also GoI, which will continue to require substantial investment in power infrastructure,

has a similarly strong motivation to maintain REC's financial soundness. Based on these, JCR views the probability of GoI's support for REC to be extremely high.

Hiroshi Tonegawa, Shintaro Ito

Rating

Issuer: REC Limited

<Affirmation>

Foreign Currency Long-term Issuer Rating: BBB+ Outlook: Stable

Local Currency Long-term Issuer Rating : BBB+ Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
JPY31,000,000,000 1.76 per cent. Notes due 2029 under the U.S.$10,000,000,000 Global Medium Term Note Programme	JPY 31.0	January 19, 2024	January 19, 2029	1.76%	BBB+
JPY27,400,000,000 1.41 per cent. Notes due 2029 under the U.S.$10,000,000,000 Global Medium Term Note Programme	JPY 27.4	January 19, 2024	April 19, 2029	1.41%	BBB+
JPY2,700,000,000 2.20 per cent. Notes due 2034 under the U.S.$10,000,000,000 Global Medium Term Note Programme	JPY 2.7	January 19, 2024	January 19, 2034	2.20%	BBB+

Rating Assignment Date: July 16, 2026

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Outline of the rating methodology is shown as "Sovereign and Public Sector Entities" (October 1, 2021) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	REC Limited
Rating Publication Date:	July 22, 2026

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Legal Protection and Support Provided by the Government

The likelihood of a given debt payment is highly conditional to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement, and other forms of the government's supporting policy, framework and the strength thereof.

B) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

C) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

D) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

・ The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.

・ The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.

・ The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

・ The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

・ There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

・ There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer, some independent media or, otherwise, JCR analyst’s scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR’s service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Legal Protection and Support Provided by the Government

The credit rating is subject to alteration if there is a change in the issuer’s legal support by the government, personnel or capital relationship with the government, importance in the government’s policy, credit enhancement and other forms of the government’s supporting policy, framework and the strength thereof. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer’s business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients’ preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

C) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

D) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

The credit rating is subject to alteration if there is a change in the creditworthiness of the government, etc. that constitute the framework of credit enhancement. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change on such framework is exceptionally large.

G) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12 Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

https://www.jcr.co.jp/en/service/company/regu/nrsro/

13 Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Legal Protection and Government Support

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant change of the credit rating is most likely by one notch, as JCR stipulates, but possibly as much as a few notches if the change in the government's supporting policy is significant.

B) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

C) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

D) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the creditworthiness of the government, etc. that constitute the framework of credit enhancement. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches should the creditworthiness of said government, etc. change so greatly.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

・ The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
REC Limited	Issuer(Long-term)(FC)	November 27, 2023	BBB+	Stable
REC Limited	Issuer(Long-term)(FC)	March 4, 2025	BBB+	Stable
REC Limited	Issuer(Long-term)(LC)	November 27, 2023	BBB+	Stable
REC Limited	Issuer(Long-term)(LC)	March 4, 2025	BBB+	Stable
REC Limited	JPY31,000,000,000 1.76 per cent. Notes due 2029 under the U.S.$10,000,000,000 Global Medium Term Note Programme	January 12, 2024	BBB+	
REC Limited	JPY31,000,000,000 1.76 per cent. Notes due 2029 under the U.S.$10,000,000,000 Global Medium Term Note Programme	March 4, 2025	BBB+	
REC Limited	JPY27,400,000,000 1.41 per cent. Notes due 2029 under the U.S.$10,000,000,000 Global Medium Term Note Programme	January 12, 2024	BBB+	
REC Limited	JPY27,400,000,000 1.41 per cent. Notes due 2029 under the U.S.$10,000,000,000 Global Medium Term Note Programme	March 4, 2025	BBB+	
REC Limited	JPY2,700,000,000 2.20 per cent. Notes due 2034 under the U.S.$10,000,000,000 Global Medium Term Note Programme	January 12, 2024	BBB+	
REC Limited	JPY2,700,000,000 2.20 per cent. Notes due 2034 under the U.S.$10,000,000,000 Global Medium Term Note Programme	March 4, 2025	BBB+	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Kiichi Sugiura, have responsibility to this Rating Action and to the best of my knowledge:

A) No part of the credit rating was influenced by any other business activities.

B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.

C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

杉浦輝一

Kiichi Sugiura
General Manager of International Department

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